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CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

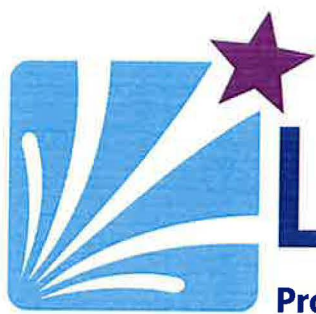
FINANCIAL STATEMENTS

June 30, 2025

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INTRODUCTORY SECTION



Central Rappahannock Regional
Library

INSPIRING LIFELONG LEARNING
FOR EVERYONE IN OUR COMMUNITY

Proudly serving Fredericksburg, Stafford, Spotsylvania, and Westmoreland

December 2025

Central Rappahannock Regional Library has successfully concluded the first full year under its new executive leadership. Executive Director Rebecca Purdy assumed her role on October 1, 2024, followed by Deputy Executive Director Adriana Puckett in November 2024. Both leaders bring decades of dedicated service within the regional system to their respective positions, ensuring institutional continuity and a deep understanding of community needs.

To foster transparency, the Library has implemented updated statistical reporting for the Board of Trustees and partner jurisdictions. These reports highlight a sustained demand for traditional physical materials, digital eBooks and eAudio, access to computers and wifi, meeting and study space, and specialized library programming.

In response to this demand, the Library Board voted in late FY25 to standardize operating hours at the beginning of FY26. All three Spotsylvania County branches now offer additional evening hours, aligning their service schedules with those in Stafford County and the City of Fredericksburg.

The Board of Trustees took proactive steps to address public concerns regarding the availability of large meeting spaces. Following a subcommittee review, the Board adopted new policies:

- Businesses are now assessed a fee for utilizing large meeting rooms.
- The reservation window was adjusted to ensure equitable access for all customers.
- A nominal fee was introduced for business-related notary requests.

Following an independent reserve fund study in December 2024, Library leadership engaged in productive consultations with jurisdictional administrative officers. These discussions led to significant structural improvements in the Library's financial policies:

- Refined thresholds for the primary reserve fund.
- The establishment of two new categories: Technology and Equipment and Budget Stabilization.
- For the first time, the Library submitted an official Capital Improvement Project (CIP) request in September 2025, seeking significant technology upgrades for FY2027–FY2029.

While budgetary pressures remain, jurisdictional support enabled a long-awaited merit increase for staff. Additionally, transitioning to *The Local Choice* (the Commonwealth's health benefits



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program) has significantly reduced insurance premiums. To further modernize operations, new accounting software is being implemented for a full rollout by FY27.

The participating jurisdictions have demonstrated a continued commitment to maintaining and improving library infrastructure. The City of Fredericksburg renovated the Fredericksburg Branch front steps and fountain, while enhancing building security. Spotsylvania County performed critical air duct maintenance at the Salem Church Branch to improve air quality and comfort. Stafford County replaced flooring at the Porter Branch Learn & Play Room and performed HVAC maintenance at the Howell and Porter locations.

In FY24 the Library Board of Trustees approved the expenditure of a portion of the Trust of Christopher Finley and Mary Campbell Finley to expand customer meeting space and increase library outreach. In FY25, a single occupancy privacy pod was installed at Fredericksburg Branch and double occupancy pods at both Salem Church and Porter, which have seen robust customer use. These funds also supported the retrofitting of the Adult Library on the Go vehicle, which launched in September 2025 to expand mobile community services to rural Westmoreland County.

The Central Rappahannock Regional Library is honored to serve the residents of Spotsylvania, Stafford, Westmoreland, and the City of Fredericksburg. The Library looks forward to the continued partnership with these jurisdictions as the system evolves to meet the changing needs of our shared communities.

A handwritten signature in cursive script that reads "Rebecca Purdy". The signature is written in dark ink and is positioned above the printed name and title.

Rebecca Purdy
Executive Director

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

DIRECTORY OF OFFICIALS

JUNE 30, 2025

BOARD OF TRUSTEES

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Stafford

Dr. Janet Brown-Page
Stafford

Library Executive Director – Rebecca Purdy

FINANCIAL SECTION

Robert T. Bishop, CPA
Elaine F. Farmer, CPA

Harry B. F. Franklin, Jr., CPA
Harry D. Dickinson, Ph.D., CPA



Members
American Institute of
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Central Rappahannock Regional Library
Fredericksburg, Virginia

Report on Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Central Rappahannock Regional Library (the "Library"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Central Rappahannock Regional Library, as of June 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Central Rappahannock Regional Library, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2025, the Library adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 1 to the financial statements, in 2025, the Library restated beginning balances to reflect the requirements of GASB Statement No. 101. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards and Commissions* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards and Commissions*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2026, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Certified Public Accountants

Fredericksburg, Virginia
January 26, 2026



Central Rappahannock Regional
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MANAGEMENT'S DISCUSSION & ANALYSIS

The Management Discussion & Analysis (MD&A) offers the readers of the Central Rappahannock Regional Library's financial statements a narrative overview and analysis of the financial activities of Central Rappahannock Regional Library (CRRL) for the fiscal years ended June 30, 2024 and June 30, 2025.

FINANCIAL HIGHLIGHTS

June 30, 2025

*CRRL's assets exceeded its liabilities at the close of the fiscal year by \$1,361,940.

*CRRL's total net position decreased this fiscal year by \$559,611.

*At the close of FY 2025, CRRL's governmental funds reported a combined ending fund balance of \$2,143,219, a decrease of \$34,396 in comparison with the prior year.

*CRRL's Total Expenditures for all funds exceeded Revenues for a deficit of \$34,396 for the fiscal year.

*At the end of FY 2025, unassigned fund balance for the General Fund was \$1,613,164 or 11.84% of total General Fund expenditure for the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to CRRL's basic financial statements. CRRL's basic financial statements are comprised of three components: 1) Government (library)-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. CRRL's financial statements present two kinds of statements, each with a different snapshot of CRRL's finances. The focus is on both CRRL as a whole (library-wide) and the fund financial statements (to include the General Fund, etc). The Library-wide statements provide both short-term and long-term information about CRRL's overall financial status. The fund financial statements focus on individual parts of CRRL, reporting CRRL's operations in more detail than the library-wide statements. Both perspectives (library-wide and fund) along with supplemental information will enhance the reader's understanding of the financial condition of CRRL.



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BASIC FINANCIAL STATEMENTS

GOVERNMENT (LIBRARY)-WIDE FINANCIAL STATEMENT

Library-wide financial statements report information about CRRL as a whole. The governmental funds for CRRL include the General Fund, the Law Fund, and the Vehicle Fund. One of the most important questions asked about CRRL's finances is "Is the library as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which are library-wide statements, report information about library finances as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities prepared using the economic resources measurement focus and the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations. CRRL's total assets at the close of the fiscal year were \$8,548,059. Of this amount, \$3,146,697 was investments in capital assets, \$2,236,561 was right-to-use leased assets and \$738,494 was subscription assets. CRRL's total deferred outflows of resources was \$1,115,301. CRRL's total liabilities were \$6,908,395. Of this amount, \$894,437 was compensated absences, \$2,458,613 was lease liability, \$647,443 was subscription liability, \$2,400,892 was net pension liability, and \$223,932 was net Other Post-Employment Benefits liability. CRRL's total deferred inflows of resources was \$1,393,025. There were restricted assets in the amount of \$153,959. Unrestricted assets were a deficit of \$1,716,664. CRRL experienced a decrease in net position of \$559,611 compared to FY 2024 and CRRL closed the fiscal year with a net position of \$1,361,940. Program revenues totaling \$13,562,263 were received from the City of Fredericksburg (\$1,596,738) and the Counties of Spotsylvania (\$4,356,204) Stafford (\$5,778,689) and Westmoreland (\$535,396), from the Commonwealth of Virginia grants-in-aid to public libraries (\$1,118,996), and from various donations and grants (\$176,240). Revenues received from fines, fees, investments and other contributions totaled \$151,634. Total governmental revenues for FY 2025 were \$13,713,897. Total governmental expenditures were \$14,273,508. This was a change in net position of (\$559,611) resulting in a total net position of \$1,361,940.

FUND FINANCIAL STATEMENTS

The Fund Financial Statements provide a more detailed look at CRRL's most significant activities. All of CRRL's basic services are accounted for in the General Fund. The General Fund focus is on 1) cash and other financial resources that can be readily converted to cash flow in and out, and 2) balances left at year-end that are available for spending. The General Fund statements provide a view of CRRL's finances that helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance library programs. CRRL adopts an annual budget for its General Fund. These appropriations are requested by CRRL according to a formula specified in the contract between the participating jurisdictions (Fredericksburg, Spotsylvania, Stafford, and Westmoreland). In FY2024, the General Fund revenue totaled \$13,600,542 while the General Fund expense totaled \$13,627,122 creating a deficit of \$26,580. The ending fund balance in the General Fund was \$1,900,722, of which \$1,613,164 is unassigned. The revenue from all Governmental Funds was \$13,713,897. Total Governmental Funds received from the participating jurisdictions was \$12,267,027. Additionally, CRRL received a grant-in-aid from the Commonwealth of Virginia totaling \$1,118,996, and \$327,874 from fees, contributions, investments, and miscellaneous income. Total Governmental Funds expenses totaled \$13,748,293. The difference results in a deficit where expenses exceed revenues by \$34,396.

NOTES

The notes provide additional information that help with the understanding of the data provided in the government-wide and fund financial statements. The notes to CRRL's financial statements show that CRRL is in compliance with accounting principles generally accepted in the United States. The notes are presented in compliance with the GASB 34 model. The audit includes the MD&A, library-wide financial statement, statement of net position, and statement of activities focusing on CRRL's function.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

STATEMENT OF NET POSITION The following table reflects condensed information on CRRL's net position:

SUMMARY OF STATEMENT OF NET POSITION

	2024 <u>Governmental</u> <u>Activities</u>	2025 <u>Governmental</u> <u>Activities</u>
Current and other assets	\$ 2,424,287	\$ 2,426,307
Noncurrent assets	<u>6,711,807</u>	<u>6,121,752</u>
Total assets	\$ <u>9,136,094</u>	\$ <u>8,548,059</u>
Total deferred outflows of resources	\$ <u>963,161</u>	\$ <u>1,115,301</u>
Current and other liabilities	\$ 1,427,974	\$ 1,320,425
Long-term liabilities	<u>6,257,075</u>	<u>5,587,970</u>
Total liabilities	\$ <u>7,685,049</u>	\$ <u>6,908,395</u>
Total deferred inflows of resources	\$ <u>470,229</u>	\$ <u>1,393,025</u>
Investments in capital assets	\$ 3,145,014	\$ 2,924,645
Restricted net position	162,757	153,959
Unrestricted net position	<u>(1,363,794)</u>	<u>(1,716,664)</u>
Total net position	\$ <u>1,943,977</u>	\$ <u>1,361,940</u>

SUMMARY OF STATEMENT OF ACTIVITIES

	2024 <u>Governmental</u> <u>Activities</u>	2025 <u>Governmental</u> <u>Activities</u>
Revenues		
Local governments, State Aid, and other	\$ <u>13,291,610</u>	\$ <u>13,713,897</u>
Total revenues	\$ <u>13,291,610</u>	\$ <u>13,713,897</u>
Expenditures		
Education, cultural, and recreation	\$ <u>13,942,543</u>	\$ <u>14,273,508</u>
Total expenditures	\$ <u>13,942,543</u>	\$ <u>14,273,508</u>

Increase (decrease) in net position	\$ (540,518)	\$ (559,611)
Net position, beginning of year	<u>2,484,495</u>	<u>1,921,551*</u>
Net position, end of year	\$ <u>1,943,977</u>	\$ <u>1,361,940</u>

*Due to the implementation and retroactive application of GASB 101, the FY 2024 Net Position at year-end was restated. For comparison purposes, that restatement is reflected as "Net Position, beginning of the year" in the 2025 column.

GENERAL FUND

For the year ended June 30, 2025, total revenue for the General Fund was \$13,600,542 compared with the year ended June 30, 2024 revenue, which was \$13,307,222. Operating contributions are the largest component of revenue. Local government contributions are the largest single source of operating contributions, \$12,156,507 for the year ended June 30, 2025 (approximately 89.4% of the total program revenues), and \$12,019,174 for the year ended June 30, 2024 (approximately 90.3% of the total program revenues). For the year ended June 30, 2025, the remaining contribution was \$1,118,996 (8.2%) for intergovernmental and \$325,039 (2.4%) for other contributions. Total expenditure for the General Fund for the year ended June 30, 2025, was \$13,627,122 representing a deficit of expenditures over revenues of \$26,580 as compared to total expenditures for the year ended June 30, 2024, which was \$13,364,345 representing a deficit of expenditures over revenues of \$57,123.

CRRL's net position reflects its investments in capital assets (vehicles, furniture, fixtures, equipment, and materials). CRRL uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Personnel-related expenses of \$10,917,812 for the year ended June 30, 2025, and \$10,477,030 for the year ended June 30, 2024, were the largest expenses for library services. For the fiscal year ended June 30, 2025, the second largest expense for library services was books, periodicals, and other related materials, \$1,061,609 as compared to \$1,189,942 for the year ended June 30, 2024. Other operating expenditures for the delivery of library services totaled \$1,647,701 for the fiscal year ended June 30, 2025, as compared to \$1,697,373 for the fiscal year ended June 30, 2024.

The total fund balance in the General Fund at year end June 30, 2025, was \$1,900,722 (13.9% of total expenditures), compared with \$1,927,352 (14.4% of total expenditures) at year end June 30, 2024. The budget for the General Fund for the year ended June 30, 2025 was not amended.

OTHER GOVERNMENTAL

At year end June 30, 2025, CRRL had revenues of \$113,355 for all other funds, including Law and Vehicle, as compared to \$94,803 for the year ended June 30, 2024. Total expenditures for the year ended June 30, 2025, were \$121,171 as compared to \$128,645 for the year ended June 30, 2024; and there was a deficit of expenditures over revenues of \$7,816 for the year ended June 30, 2025, as compared to a deficit of \$38,991 for the year ended June 30, 2024. The beginning fund balance for FY 2025 was \$250,263, as compared with \$257,239 for FY 2024. The ending fund balance for the year ended June 30, 2025 was \$242,447, as compared to the ending fund balance of \$250,263 for the year ended June 30, 2024.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CRRL investments in capital assets as of June 30, 2025, total \$3,146,697 as compared with \$3,332,586 for the year ended June 30, 2024. The primary components of the assets are the collections, computers, furniture, vehicles, and leasehold improvements,

CAPITAL ASSETS As of June 30, 2025

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Capital assets being depreciated:				
Collections	\$ 5,787,840	\$ 407,861	\$ 505,329	\$ 5,690,372
Computers	584,600	22,290	28,287	578,603
Furniture	478,202	0	0	478,202
Vehicles	293,052	0	0	293,052
Leasehold Improvements	<u>\$ 251,452</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 251,452</u>
Total capital assets, being depreciated	\$ 7,395,146	\$ 430,151	\$ 533,616	\$ 7,291,681
Less accumulated depreciation for:				
Collections	\$ 3,130,410	\$ 528,321	\$ 505,329	\$ 3,153,403
Computers	492,466	35,738	28,287	499,917
Furniture and other equipment	157,992	12,979	0	170,971
Vehicles	231,966	13,738	0	245,703
Leasehold Improvements	<u>\$ 49,726</u>	<u>\$ 25,264</u>	<u>\$ 0</u>	<u>\$ 74,990</u>
Total accumulated depreciation	\$ 4,062,560	\$ 616,040	\$ 533,616	\$ 4,144,984
Total capital assets, net government activities	\$ 3,332,586	\$ (185,889)	\$ 0	\$ 3,146,697

LONG-TERM DEBT

CRRL's long-term debt includes compensated absences. The total for the year ended June 30, 2025, was \$894,439 of which \$369,777 is noncurrent. This compares with a total of \$891,589 for the year ended June 30, 2024.

Also, CRRL's lease liabilities, subscription liabilities, net pension liability (NPL) and net Other Post-Employment Benefits (OPEB) liability have a long-term debt component. As required by the Governmental Accounting Standards Board (GASB) Statements 68, 96 and 75, respectively, the long-term lease liabilities in the amount of \$2,148,492, the subscription liabilities in the amount of \$444,877, the NPL in the amount of \$2,400,892 and the OPEB in the amount of \$223,932 were reflected in the Statement of Net Position as non-current liabilities. The NPL and OPEB are calculated based upon actuarial information as of June 30, 2024, the measurement date.

Budget highlights for the fiscal year ending June 30, 2026

The CRRL's fiscal year 2026 budget is \$13,888,409. This is an increase in local funding of 4.7% and an increase in state aid of 1.19%.

Economic factors in 2025-26 budget and beyond

FY2026's budget request reflects an attempt to address the disparity in salary increases between the local jurisdictions and CRRL, to reward employee performance with a merit increase and to boost the books and materials budget in response to community use. While inflation appears to be stabilizing, CRRL's budget continues to address past inflation with necessary increases to line items like books and materials, computer services, and supplies that allow CRRL to maintain service levels to the public. CRRL employees still lag behind their local government peers in receiving salary increases so CRRL's FY 2026 budget attempts to close the gap by offering a COLA of 1.5% and a Merit increase of 2.5%.

State funding is often hard to predict. Local support, number of jurisdictions served, population, and the number of square miles encompassed by the service region comprise the state aid funding formula. State aid to public libraries is contingent on the Library's local funding levels remaining at or above the current year's level. We were awarded more in FY 2025 than in FY 2024 as part of the continued focus from the Commonwealth on fully funding the State Aid formula to public libraries. FY 2026 is the last year in a four-year plan to phase in this goal. We are optimistic about a modest increase in state aid funding in FY 2027.

The Library's strategic plan (completed in FY23) informs our collection development, programming, operations, budgeting and growth through FY 2028. CRRL staff are constantly working toward our goals of reaching and engaging underserved populations in the service area despite budget constraints. Staff are assessing the needs of our current customers to ensure that the library is meeting their needs for programming and materials. Based on demand and despite costing more, e-materials continue to be a collection priority as they offer customers maximum flexibility and can be accessed or streamed on a smartphone, home computer or smart television. We are continually striving to engage our customers and create meaningful learning opportunities for all.

Requests for Information

The financial report is designed to provide a general overview of the Central Rappahannock Regional Library's finances for all those with an interest in the Library's finances. Questions concerning the financial report or requests for additional financial information should be addressed to the Director of Finance at finance.director@crri.org or the Executive Director at executive.director@crri.org. Please visit the Library's website for additional information: www.librarypoint.org.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

STATEMENT OF NET POSITION

June 30, 2025

*Exhibit I***ASSETS**

Current assets:

Cash and investments	\$ 2,267,449
Receivables	31,796
Prepaid items	127,062

Noncurrent assets:

Capital assets, net	3,146,697
Right-to-use leased assets, net	2,236,561
Subscription assets, net	<u>738,494</u>

Total Assets \$ 8,548,059

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflows	\$ 1,067,836
Deferred OPEB outflows	<u>47,465</u>

Total Deferred Outflows of Resources \$ 1,115,301

LIABILITIES

Accounts payable and accrued expenses	\$ 283,088
Current portion of compensated absences	524,660
Current portion of lease liabilities	310,121
Current portion of subscription liabilities	202,556

Noncurrent liabilities:

Noncurrent portion of compensated absences	369,777
Noncurrent portion of lease liabilities	2,148,492
Noncurrent portion of subscription liabilities	444,877
Net pension liability	2,400,892
Net OPEB liability	<u>223,932</u>

Total Liabilities \$ 6,908,395

DEFERRED INFLOWS OF RESOURCES

Deferred pension inflows	\$ 1,326,160
Deferred OPEB inflows	<u>66,865</u>

Total Deferred Inflows of Resources \$ 1,393,025

NET POSITION

Net investment in capital assets and leases	\$ 2,924,645
Restricted for:	
Law Library and others	153,959
Unrestricted (Deficit)	<u>(1,716,664)</u>
Total Net Position	\$ <u>1,361,940</u>

See Notes to Financial Statements.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2025

Exhibit II

**Net (Expense)
Revenue &
Changes in
Net Position**

**Governmental
Activities**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Operating Grants & Contributions</u>	
Governmental activities			
Library services	\$ <u>14,273.508</u>	\$ <u>13,562,263</u>	\$ <u>(711,245)</u>
General revenues:			
Interest and investment earnings			\$ 91,433
Other			<u>60,201</u>
Total general revenues			\$ <u>151,634</u>
Change in net position			\$ <u>(559,611)</u>
Net Position, beginning – as restated			<u>1,921,551</u>
Net Position, ending			\$ <u>1,361,940</u>

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

June 30, 2025

Exhibit III

	<u>General Fund</u>	<u>Law Library</u>	<u>Vehicle Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 2,022,814	\$ 142,668	\$ 101,967	\$ 2,267,449
Receivables	30,351	1,445		31,796
Prepaid expenses	<u>124,651</u>	<u>2,411</u>		<u>127,062</u>
Total Assets	\$ <u>2,177,816</u>	\$ <u>146,524</u>	\$ <u>101,967</u>	\$ <u>2,426,307</u>
LIABILITIES				
Liabilities:				
Accounts payable and accrued expenditures	\$ <u>277,044</u>	\$ <u>6,044</u>	\$ <u> </u>	\$ <u>283,088</u>
Total Liabilities	\$ <u>277,044</u>	\$ <u>6,044</u>	\$ <u>-</u>	\$ <u>283,088</u>
FUND BALANCES				
Nonspendable:				
Prepays	\$ 124,651	\$ 2,411	\$ <u> </u>	\$ 127,062
Restricted:				
Law library		138,069		138,069
Others	15,890			15,890
Committed			101,967	101,967
Assigned	147,067			147,067
Unassigned	<u>1,613,164</u>	<u> </u>	<u> </u>	<u>1,613,164</u>
Total Fund Balances	\$ <u>1,900,772</u>	\$ <u>140,480</u>	\$ <u>101,967</u>	\$ <u>2,143,219</u>
Total Liabilities and Fund Balances	\$ <u>2,177,816</u>	\$ <u>146,524</u>	\$ <u>101,967</u>	\$ <u>2,426,307</u>

Adjustments for Statement of Net Assets

Total fund balances, above	\$ 2,143,219
Capital assets and right-to-use leased assets used in governmental activities are not financial resources, and therefore, are not reported in the funds	5,383,258
Subscription assets used in governmental activities are not financial resources, and therefore, are not reported in the funds	738,494
Compensated absences not reported as fund liabilities	(894,437)
Net pension liability and deferred inflows/outflows not reported as fund liabilities	(2,659,216)
Net OPEB liability and deferred inflows/outflows not reported as fund liabilities	(243,332)
Lease liabilities not reported as fund liabilities	(2,458,613)
Subscription liabilities not reported as fund liabilities	<u>(647,433)</u>
Net position of governmental activities	\$ <u>1,361,940</u>

See Notes to Financial Statements.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS

Year Ended June 30, 2025

Exhibit IV

	<u>General Fund</u>	<u>Law Library</u>	<u>Vehicle Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local governments	\$ 12,156,507	\$ 110,520	\$	\$ 12,267,027
Contributions and grants	176,240			176,240
Investment income	88,598		2,835	91,433
Other	60,201			60,201
Intergovernmental	<u>1,118,996</u>			<u>1,118,996</u>
Total Revenues	\$ <u>13,600,542</u>	\$ <u>110,520</u>	\$ <u>2,835</u>	\$ <u>13,713,897</u>
EXPENDITURES				
Current:				
Library services	\$	\$ 121,171	\$	\$
Capital outlay	<u></u>	<u></u>	<u></u>	<u></u>
Total Expenditures	\$ <u>13,627,122</u>	\$ <u>121,171</u>	\$ <u>-</u>	\$ <u>13,748,293</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ <u>(26,580)</u>	\$ <u>(10,651)</u>	\$ <u>2,835</u>	\$ <u>(34,396)</u>
Transfer In				
Transfer Out				
Net Change in Fund Balances	\$ (26,580)	\$ (10,651)	\$ 2,835	\$ (34,396)
Fund Balances, beginning	<u>1,927,352</u>	<u>151,131</u>	<u>99,132</u>	<u>2,177,615</u>
Fund Balances, ending	\$ <u>1,900,772</u>	\$ <u>140,480</u>	\$ <u>101,967</u>	\$ <u>2,143,219</u>
<i>Adjustments for statement of activities</i>				
Net change in fund balances				\$ (34,396)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.				(185,889)
Governmental funds report right-to-use leased assets and subscription assets as expenditures. However, in the statement of activities, leased assets and subscription assets are capitalized and amortized over useful life or contract terms.				(404,166)
Accrued leave reported in the statement of activities does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds until paid.				19,578
The change in the net pension liability and OPEB liability, including deferred inflows and outflows, is determined by an actuarial valuation and does not require the use of current financial resources and, therefore, is not reported in the governmental funds until paid.				(326,979)
Lease liabilities and subscription liabilities do not require current financial resources and, therefore, are not reported as expenditures in the governmental funds until paid.				<u>372,241</u>
Change in net position of governmental activities				\$ <u>(559,611)</u>

See Notes to Financial Statements.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**NOTES TO FINANCIAL STATEMENTS****Note 1. Summary of Organization and Significant Accounting Policies****Organization Profile**

Central Rappahannock Regional Library is supported by the Counties of Stafford, Spotsylvania, Westmoreland and the City of Fredericksburg, Virginia. The Library operates nine main branches throughout these supported regions. In addition, IdeaSpace: Making and Media Lab offering a digital media lab and various technology to borrow is located in downtown Fredericksburg and two satellite locations provide library service to rural Spotsylvania communities. The Library offers additional services including Library-On-The-Go outreach and the Central Rappahannock Regional Public Law Library located at the Fredericksburg and Montross branches with digital access available at other locations.

The participating localities are parties to an agreement last updated on July 13, 1993. This agreement describes membership and appointments of the Trustees, budgetary process, locality funding requirements and other operational procedures. The Board of Trustees consists of seven-members elected to serve four-year terms.

The Library's primary funding source is derived from participating localities. In addition, the Library receives support from the Commonwealth of Virginia and public donations.

The financial statements of the Library conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB). It was determined the Library does not have component units to report based upon evaluation of criteria set forth by GAAP. The more significant of the Library's accounting policies are described below.

A. Financial Reporting Entity

The basic financial statements include both fund financial statements – based on individual governmental funds, reporting on the modified accrual basis of accounting and government-wide financial statements – based on the Library as a whole, reporting on the accrual basis of accounting. A reconciliation is presented reflecting entries to reconcile the reporting of governmental funds financial statements to the government-wide financial statements.

The financial statements are accompanied by a narrative of the Library's financial activities in the form of management's discussion and analysis (MD&A).

A budgetary comparison schedule demonstrates compliance with the adopted budget, as amended. This information includes a comparison of the final budget and actual results for the General Fund.

Various required supplementary information is presented as additional information to supplement the financial statement reporting.

B. Government-Wide Financial Statements

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes in addition to current assets and liabilities (such as cash and accounts payable), capital assets, leases, subscription-based technology agreements, deferred outflows, deferred inflows, and long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

Page 2

Note 1. Summary of Organization and Significant Accounting Policies (Continued):

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The library only has nonfiduciary governmental activities.

Statement of Net Position – The Statement of Net Position is designed to display the financial position of the primary government. Governments report all capital assets and related debt, in the government-wide Statement of Net Assets and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. In addition, the following assets and liabilities are reflected in the Statement of Net Position: lease assets and related liabilities; subscription assets and related liabilities; pension and OPEB liabilities including related inflows and outflows of resources; and compensated absences. Amortization of lease assets and subscription assets and interest expense pertaining to lease and subscription liabilities are reported as expenses in the Statement of Activities. Expenses related to the pension and OPEB liabilities and compensated absences are reported in the Statement of Activities. The net assets of a government will be broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities – The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

C. Fund Financial Statements

The financial transactions of the Library are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. The nonmajor funds are combined in a column in the fund financial statements.

The Library reports the following major governmental funds:

The *general fund* is the Library’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY**NOTES TO FINANCIAL STATEMENTS****Page 3****Note 1. Summary of Organization and Significant Accounting Policies (Continued):**

Other governmental funds are comprised of the following:

Law fund is used to operate and purchase circulation materials for the Law Library. Vehicle fund is used to purchase replacement vehicles.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Financial Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Contributions and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Fines are recorded as revenues when received. Intergovernmental revenues, consisting primarily of Federal, State and other grants for the purpose of specific funding are recognized when earned or at the time of the specific reimbursable expenditure. Revenues from general purpose grants are recognized during the period to which the grants apply.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this rule include: (1) accumulated unpaid leave, and other employee amounts, which are recorded as compensated absences, and are recognized when paid, and (2) principal and interest payments on general long-term debt, both of which are recognized when paid. Lease, capital assets, subscription, pension and OPEB expenditures are recorded when paid.

E. Budgets and Budgetary Accounting

All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General Fund presents actual expenditures on a basis consistent with the adopted budgets as amended.

F. Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position will at times report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and therefore will not be recognized as an outflow of resource until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and therefore will not be considered as an inflow of resource until that time.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

Page 4

Note 1. Summary of Organization and Significant Accounting Policies (Continued):***G. Equity in Pooled Cash and Investments***

Cash resources of the individual funds are combined to form a pool of cash and investments to maximize interest earnings. Investments in the pool consist of repurchase agreements and obligations of the Federal Government and are recorded at fair value.

Investment earnings not legally or contractually required to be credited to individual accounts or funds are credited to the General Fund.

The Local Government's Investment Pool is operated in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Investments are also held in brokerage accounts with financial institutions. These investments are primarily held in certificates of deposit.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and recorded as an expense when consumed.

I. Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Bulk purchases are considered for capitalization for groups of related assets purchased in bulk exceeding an aggregate of \$20,000. Renovations and building improvements are considered for capitalization for amounts exceeding \$15,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Due to capitalization policy criteria, capital assets reported in the government-wide Financial Statements will vary from capital expenditures reported in the governmental funds Financial Statements.

The Library has no infrastructure assets except for leasehold improvements and right-to-use lease assets.

Property and equipment of the government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Collections	10
Vehicles	4-10
Furniture	5-20
Computer equipment	3-10
Leasehold improvements	5-20

Right-to-use lease assets are amortized over lease terms.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

Page 5

Note 1. Summary of Organization and Significant Accounting Policies (Continued):

J. Leases and Technology Subscriptions

The Library has recorded right-to-use assets as a result of implementing GASB 87 and GASB 96. The right-to-use lease assets are initially measured at an amount equal to the initial measurement period of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The intangible right-to-use subscription assets are initially measured at an amount equal to the initial measurement period of the related subscription liability, plus any subscription payments made prior to the subscription term, plus capitalizable implementation costs, less any incentives received at or before commencement of the subscription term. The right-to-use assets are amortized on a straight-line basis over the life of the related lease or subscription.

Lease and subscription liabilities are recorded in the government-wide statements. Liabilities are measured at the present value of expected payments to be made during lease and subscription terms.

Lease and subscription-based IT arrangement accounting includes estimates and judgements for determining the (1) rate used to discount the expected lease and subscription payments to present value, (2) lease and subscription term, and (3) lease and subscription payments.

- The Library uses the interest rate stated in lease or subscription contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Library uses its estimated incremental borrowing rate as the discount rate for leases and subscriptions.
- The lease and subscription terms include the noncancellable period of the lease or subscription and certain periods covered by options to extend to reflect how long the lease or subscription is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease or subscription incentives and certain other payments are included in the measurement of the lease liability or subscription liability.

The Library monitors changes in circumstances that would require a remeasurement or modification of its leases and subscriptions. The Library will remeasure the lease asset and liability or the subscription asset and liability if certain changes occur that are expected to significantly affect the assets and liabilities of leases or subscriptions.

K. Compensated Absences

Library employees accumulate paid time off depending upon their length of service and full-time/part-time status. Unused leave during the year can roll over to the personal leave bank subject to leave-hour caps depending upon employment status. Part-time and full-time employees with regular hours can elect to enroll in the shared-leave bank. Before eligible employees can use the shared-leave bank, they must exhaust all other available leave. Members of the shared-leave bank have leave contribution requirements to the bank. The shared-leave bank has a limit as to the number of hours the bank can hold.

Compensatory time earned by Library employees up to the established threshold is also payable upon termination of employment.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 1. Summary of Organization and Significant Accounting Policies (Continued):

In accordance with GASB Statement No. 101, liabilities for compensated absences are recognized for:

- Leave that has not been used, if it is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid or settled.
- Leave that has been used but not yet paid or settled.

The Library does not recognize a liability for leave balances that are not expected to be paid or settled, such as those forfeited upon separation from service. Under GASB 101, the Library evaluates historical usage patterns and employment policies to determine the portion of leave that is more likely than not to be used. The leave liability includes salary-related benefits, where applicable.

L. Fund Balances and Net Position

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by the Board of Trustees.

Assigned – Amounts that are designated by the Library Director for a particular purpose.

Unassigned – All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the Library's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Library's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

In the government-wide financial statement, fund balances are classified as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets and leases, net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component consists of amounts that have constraints either externally by third-parties or by law.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

Page 7

Note 1. Summary of Organization and Significant Accounting Policies (Continued):

Unrestricted – This component consists of the remainder of net position not included as “net invested in capital assets” and “restricted”. Deficits in unrestricted fund balance will require future funding.

M. Contributed Facilities

The Library occupies without charge certain premises located in government-owned buildings of the participating localities. Fair rental value has not been reported in these financial statements.

N. VRS Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to Section 51.1-500 et. Seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB Liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance Program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. VRS Virginia Local Disability Program

The Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee Virginia Local Disability Program OPEB, and the Political Subdivision Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Political Subdivision Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision Retirement Plan and the additions to/deductions from the Political Subdivision Retirement Plan's fiduciary net position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 1. Summary of Organization and Significant Accounting Policies (Continued):

Q. Use of Estimates

Management of the Library has made various estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenditures and disclosures to the financial statements in order to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

R. GASB Statements

During fiscal year 2025, the Library implemented GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This resulted in a restatement of the financial statements.

During fiscal year 2025, the Library implemented GASB Statement No. 102, *Certain Risk Disclosures*. This statement requires all state and local governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. There was no material impact.

S. Restatement-Adoption of Accounting Principle

In FY 25, the Library implemented GASB Statement No. 101, *Compensated Absences*, as a change in accounting principle. Statement No. 101 requires recognizing a liability for compensated absences, including certain amounts not previously accrued, and related salary-based payments. The standard has been applied retroactively, resulting in a restatement of beginning net position of the government-wide Financial Statements, Statement of Net Position as of July 1, 2024, as reflected below:

<u>Governmental Activities</u>	
Net position, as previously reported	\$ 1,943,977
Implementation of GASB Statement No. 101	<u>(22,426)</u>
Net position, as restated	\$ <u>1,921,551</u>

Note 2. Deposits and Investments

Deposits: Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral ranging from 50 percent to 130 percent of excess deposits. Accordingly, all deposits are considered fully collateralized.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 2. Deposits and Investments

Investments: Statutes authorize the Library to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, the State Treasurer's Local Government Investment Pool (LGIP) and various other "prime quality" investments at authorized institutions. The LGIP is a professionally managed fund invested in qualified obligations and securities permitted by the Virginia statutes. The reported value of the LGIP is measured by amortized cost. The LGIP maintains a net asset value of \$1 per share. At year end, the Library's investment in the LGIP fund, valued at \$1 per share, totaled \$1,289,649.

At year end, the Library held certificates of deposit with PNC Investments totaling \$136,262 with maturities ranging from July 3, 2025 to December 26, 2025 and interest rates ranging from 5.15 to 5.25 percent.

Interest Rate Risk. Through its investment policy, the Library manages its exposure to fair value losses arising from interest rate risk to limiting the maturities of investments.

Credit Risk. The primary investment objectives are safety, liquidity and return on investment. The Library limits investments in corporate bonds to AAA and higher. In addition, certificates of deposit are held in brokerage with predominately short-term maturities.

Note 3. Changes in Capital Assets

A summary of changes in capital assets follows:

	<u>Balance July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2025</u>
Building leasehold improvements	\$ 251,452	\$	\$	\$ 251,452
Collections	5,787,840	407,861	(505,329)	5,690,372
Computers	584,600	22,290	(28,281)	578,603
Furniture	478,202			478,202
Vehicles	<u>293,052</u>			<u>293,052</u>
Total Capital Assets, Being Depreciated	\$ <u>7,395,146</u>	\$ <u>430,151</u>	\$ <u>(533,616)</u>	\$ <u>7,291,681</u>
Less accumulated depreciation for:				
Building and leasehold improvements	\$ 49,726	\$ 25,264	\$	\$ 74,990
Collections	3,130,410	528,321	(505,329)	3,153,403
Computers	492,466	35,738	(28,287)	499,917
Furniture	157,992	12,979		170,971
Vehicles	<u>231,966</u>	<u>13,738</u>		<u>245,703</u>
Total Accumulated Depreciation	\$ <u>4,062,560</u>	\$ <u>616,040</u>	\$ <u>(533,616)</u>	\$ <u>4,144,984</u>
Total Capital Assets, Net Governmental Activities	\$ <u>3,332,586</u>	\$ <u>(185,889)</u>	\$ <u>-</u>	\$ <u>3,146,697</u>

Depreciation was charged to Library operations function.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 4. Receivables

At June 30, 2025, the receivables are composed of the following:

Central Friends of the Library	\$	29,990
Other		<u>1,806</u>
Total	\$	<u>31,796</u>

All receivables are considered collectible.

Note 5. Donated Services

No amounts have been reflected in the financial statements for donated services. The Library pays for most services required to operate the facility. However, many individuals volunteer their time and perform a variety of tasks that assist the Library with specific needs. During FY25, the Library received approximately 13,870 volunteer hours.

Note 6. Facility Leases

The Library has entered into two facility leases as described below. In accordance with GASB 87, right-to-use lease assets are presented in the government-wide statements with asset values equal to the lease liabilities at the initial measurement period. There were no ancillary charges or payments to add to the asset values. Amortization is reported in the government-wide statements on a straight-line basis over the lease terms. Lease liabilities are initially recorded at the present value of payments expected to be made during the lease term. Interest expense is reported in the government-wide statements as lease payments are due.

Since lease assets are not financial resources, lease payments are recorded as expenditures in the governmental funds financial statements as expenditures are due.

Library Administration Center:

In April 2017, the lease for the Library Administration Center (LAC) with approximately 27,300 square feet, located at 125 Olde Greenwich Drive within the City of Fredericksburg commenced with an initial lease term of fifteen years ending March 31, 2032. The lease provides for three extension terms of five years each with rent to be negotiated at the time of the extension. The lease includes scheduled annual three percent increases each year. The space functions for administrative offices and the warehouse. The Library is not charged for additional common area maintenance during the term of the initial lease for the units pertaining to the original lease.

Effective July 1, 2024, the lease was modified to reduce the leased space by 1,350 square feet. At this date, the Library would no longer lease Unit 155 and continue leasing Units 150, 160 and 180. The modified lease will be in effect for the remaining eight years of the original lease with the same terms as the original lease other than the space and lease amount modification. Beginning July 1, 2024, the monthly lease amount will be \$26,636. Over the eight-year period, the lease payments will total \$2,842,297 (excluding any related CAM charges). In FY25, monthly lease payments totaled \$319,634, excluding additional charges.

The Landlord pays all real estate taxes and insurance on the demised premises and is also responsible for payment for water, sewer, trash, snow removal, landscaping and common area lighting.

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Note 6. Facility Leases (Continued):

Idea Space – Making and Media:

The Library entered into a lease for a building located at 1616 Princess Anne Street in Fredericksburg on May 13, 2019. The purpose of the lease is to provide a makers lab. The rent increases each annual period by four percent of the preceding annual rent amount. The lease was renewed on May 31, 2024 for another two years ending May 31, 2027. The current renewal provides for one renewal option for a two-year period. The base annual rent is \$28,032 with a four percent annual increase. Over the lease term including the renewal option, the lease payments will total \$151,828. The Library is responsible for payment of utilities and insurance and is also responsible for payment of additional rent to cover charges for real estate taxes and other fees. A security deposit was paid in the amount of \$1,639.40. In FY25, monthly lease payments totaled \$28,125, excluding additional charges.

Right-to-use lease assets, liabilities and expenditures are as follows:

	Library Administration Center	Idea Space	Total
Right-to-use lease asset (net) – July 1, 2024	\$ 2,435,991	\$ 135,124	\$ 2,571,115
Less: Lease modification	(2,946)		(2,946)
Less: Amortization – FY25	(304,128)	(27,480)	(331,608)
Right-to-use lease asset (net) – June 30, 2025	\$ 2,128,917	\$ 107,644	\$ 2,236,561
Lease liability - July 1, 2024	\$ 2,623,594	\$ 135,093	\$ 2,758,687
Less: Lease modification	(2,946)		(2,946)
Less: Liability reduction – FY25	(273,987)	(23,141)	(297,128)
Lease liability – June 30, 2025	\$ 2,346,661	\$ 111,952	\$ 2,458,613
Interest expense recognized - FY25	\$ 45,647	\$ 4,984	\$ 50,631

Interest rates as determined, range from 2-4 percent. Amortization is reported straight-line over the lease terms.

Annual Debt Service Requirements for Lease Liabilities

	LAC Principal	LAC Interest	LAC Total	Idea Space Principal	Idea Space Interest	Idea Space Total
FY26	\$ 284,892	\$ 44,331	\$ 329,223	\$ 25,229	\$ 4,021	\$ 29,250
FY27	300,610	38,490	339,100	27,449	2,971	30,420
FY28	316,945	32,328	349,273	29,807	1,830	31,637
FY29	333,917	25,834	359,751	29,467	594	30,061
FY30	351,549	18,995	370,544			
Thereafter	758,748	16,023	774,771			
Total	\$ 2,346,661	\$ 176,001	\$ 2,522,662	\$ 111,952	\$ 9,416	\$ 121,368

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Note 6. Facility Leases (Continued):

Summary All Leases

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
LAC	\$ 2,346,661	\$ 176,001	\$ 2,522,662
Idea Space	<u>111,952</u>	<u>9,416</u>	<u>121,368</u>
Total	\$ <u>2,458,613</u>	\$ <u>185,417</u>	\$ <u>2,644,030</u>

Spotsylvania County renewed the lease agreement for the Library branch located at Spotsylvania Towne Centre Mall. The lease term is September 1, 2023 through August 31, 2028. The County is providing the space to the Library without cost.

The Friends of the Library provided funding in the amount of \$26,773 toward rent for the Friends Bookshop located in the Administration Center location. The right-to-use assets and liabilities have not been adjusted for any assistance from the Friends since the Library is responsible for the lease payments.

Note 7. Subscription-Based Information Technology Arrangements

In accordance with GASB No. 96, *Subscription-Based Information Technology Arrangements, (SBITAs)*, the government-wide financial statements include subscription assets and liabilities related to these agreements. The primary objective of this statement is to enhance the relevance and consistency of information about subscription activities. Under this statement, the Library is required to recognize subscription liabilities and intangible right-to-use subscription assets. The Library uses interest rates ranging 2.5-4.0 percent for the contracts with terms between three and seven years.

SBITA intangible assets (net), July 1, 2024	\$ 808,106
Subscription additions	121,334
Less: Amortization – FY25	<u>(190,946)</u>
SBITA intangible assets (net), June 30, 2025	\$ <u>738,494</u>
 SBITA liability, July 1, 2024	 \$ 719,600
Subscription additions	121,334
Less: Contract principal payments	<u>(193,501)</u>
SBITA liability, June 30, 2025	\$ <u>647,433</u>
 Interest expense reported FY25	 \$ <u>17,785</u>

Maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY26	\$ 202,556	\$ 16,828	\$ 219,384
FY27	154,021	11,849	165,870
FY28	133,836	8,118	141,954
FY29	137,453	4,501	141,954
FY30	<u>19,567</u>	<u>783</u>	<u>20,350</u>
Total	\$ <u>647,433</u>	\$ <u>42,079</u>	\$ <u>689,512</u>

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Note 8. Compensated Absences

The Library adopted GASB Statement No. 101, *Compensated Absences* in FY25. The liability at June 30, 2025 totaled \$894,437 as determined by the Library's leave policies. The amount expected to be paid in one year totaled \$524,660 and the long-term portion totaled \$369,777.

The net position was restated as of June 30, 2024 to implement the new standard as described in Note 1.

Note 9. Defined Benefit Pension Plan

A. Plan Description

Name of Plan:	Virginia Retirement System
Identification of Plan:	Agent and Cost Sharing Multiple Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (VRS)

All full-time, salaried permanent employees of the Library are automatically covered by a VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

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Note 9. Defined Benefit Pension Plan (Continued):

RETIREMENT PLAN PROVISIONS

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	About Plan 2 Same as Plan 1.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

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Note 9. Defined Benefit Pension Plan (Continued):

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. <i>Hybrid Opt-In Election</i> VRS non-hazardous duty-covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 1 or ORP.	Eligible members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. <i>Hybrid Opt-In Election</i> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1, through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 2 or ORP.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <i>*Non-Eligible Members</i> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. - Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

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Note 9. Defined Benefit Pension Plan (Continued):

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Same as Plan 1.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member has granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Service Credit Same as Plan 1.	Service Credit <i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <i>Defined Contributions Component:</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

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Note 9. Defined Benefit Pension Plan (Continued):

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting <i>Defined Benefit Component:</i> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <i>Defined Contributions Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of the employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distributions not required, except as governed by law until age 73.

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Note 9. Defined Benefit Pension Plan (Continued):

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <i>Defined Benefit Component:</i> See definition under Plan 1. <i>Defined Contribution Component:</i> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

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Note 9. Defined Benefit Pension Plan (Continued):

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Service Retirement Multiplier <i>VRS:</i> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier <i>VRS:</i> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <i>Defined Benefit Component:</i> <i>VRS:</i> The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. <i>Defined Contribution Component:</i> Not applicable.
Normal Retirement Age <i>VRS:</i> Age 65. Political subdivision hazardous duty employees: Age 60.	Normal Retirement Age <i>VRS:</i> Normal Social Security retirement age. Political subdivision hazardous duty employees: Same as Plan 1.	Normal Retirement Age <i>Defined Benefit Component:</i> <i>VRS:</i> Same as Plan 2. Political subdivision hazardous duty employees: Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

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Note 9. Defined Benefit Pension Plan (Continued):

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Earliest Unreduced Retirement Eligibility <i>VRS:</i> Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. <i>Political subdivision hazardous duty employees:</i> Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	Earliest Unreduced Retirement Eligibility <i>VRS:</i> Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90. <i>Political subdivision hazardous duty employees:</i> Same as Plan 1.	Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i> <i>VRS:</i> Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90. <i>Political subdivision hazardous duty employees:</i> Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility <i>VRS:</i> Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. <i>Political subdivision hazardous duty employees:</i> Age 50 with at least five years of service credit.	Earliest Reduced Retirement Eligibility <i>VRS:</i> Age 60 with at least five years (60 months) of service credit. <i>Political subdivision hazardous duty employees:</i> Same as Plan 1.	Earliest Reduced Retirement Eligibility <i>Defined Benefit Component:</i> <i>VRS:</i> Age 60 with at least five years (60 months) of service credit. <i>Political subdivision hazardous duty employees:</i> Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

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Note 9. Defined Benefit Pension Plan (Continued):

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. <i>Eligibility:</i> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. <i>Exceptions to COLA Effective Dates:</i> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. • The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. <i>Eligibility:</i> Same as Plan 1. <i>Exceptions to COLA Effective Dates:</i> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement <i>Defined Benefit Component:</i> Same as Plan 2. <i>Defined Contribution Component:</i> Not applicable. <i>Eligibility:</i> Same as Plan 1 and Plan 2. <i>Exceptions to COLA Effective Dates:</i> Same as Plan 1 and Plan 2.

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Note 9. Defined Benefit Pension Plan (Continued):

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active-duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception: Hybrid Retirement Plan members are ineligible for ported service. <i>Defined Contribution Component:</i> Not applicable.

B. Covered Employees

The VRS actuarial valuation as of June 30, 2023, reports the following employees were covered to the benefit terms of the pension plan:

	<u>Number</u>
Retirees or their beneficiaries currently receiving benefits	63
Inactive members:	
Vested inactive members	17
Non-vested inactive members	21
Active elsewhere in VRS	11
Active members	<u>86</u>
Total covered employees	<u>198</u>

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Note 9. Defined Benefit Pension Plan (Continued):

C. Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Active employees are required to contribute 5.00 percent of their compensation toward their retirement.

The Library's required employer contribution rate for the year ended June 30, 2025 was 8.63 percent of covered employee compensation as determined by the actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Library were \$504,275 and \$478,766 for the years ended June 30, 2025 and 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of one percent of their covered payroll. The employer must also contribute a mandatory rate of one percent of this covered payroll, which totaled \$28,770 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to four percent of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5 percent. This additional employer mandatory contribution totaled \$37,024 for the year ended June 30, 2025.

D. Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Library, the net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

E. Actuarial Assumptions

The total pension liability for the Library was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

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Note 9. Defined Benefit Pension Plan (Continued):

Mortality rates: All others (non-10 largest) – non-hazardous duty: 15% of deaths are assumed to be service-related.

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward two years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward three years.

Post Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back three years; 90% of rates for females set back three years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward two years.

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) – Non-Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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Note 9. Defined Benefit Pension Plan (Continued):

F. Long-term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP – Private Investment Partnerships	1.00%	8.00%	.08%
Diversifying Strategies	6.00%	5.80%	.35%
Cash	2.00%	3.00%	.06%
Leverage	<u>(3.00%)</u>	3.50%	<u>(.11%)</u>
Total	100.00%		7.07%
	Expected arithmetic nominal return*		<u>7.07%</u>

*The above allocation provides a one-year expected return of 7.07 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10 percent, including expected inflation of 2.50 percent.

On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75 percent, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14 percent, including expected inflation of 2.50 percent.

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Note 9. Defined Benefit Pension Plan (Continued):

G. Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2024, the employer contribution rate is 100 percent of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. From July 1, 2024, on, participating employers are assumed to continue to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

H. Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2023 – Measurement Date	\$ <u>26,157,873</u>	\$ <u>23,347,907</u>	\$ <u>2,809,966</u>
Changes for the year:			
Service Cost	\$ 386,166	\$	\$ 386,166
Interest	1,747,498		1,747,498
Difference between expected and actual experience	412,806		412,806
Contributions - employer		478,615	(478,615)
Contributions - employee		246,012	(246,012)
Net investment income		2,245,581	(2,245,581)
Benefit payments, including refunds of employee contributions	(1,310,372)	(1,310,372)	
Administrative expense		(15,119)	15,119
Other changes		455	(455)
Net Changes	\$ <u>1,236,098</u>	\$ <u>1,645,172</u>	\$ <u>(409,074)</u>
Balances at June 30, 2024 – Measurement Date	\$ <u>27,393,971</u>	\$ <u>24,993,079</u>	\$ <u>2,400,892</u>

I. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Library using the discount rate of 6.75 percent, as well as the net pension liability if it were calculated using a discount rate one percentage point lower (5.75 percent) or one percentage point higher (7.75 percent) than the current rate:

1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
\$ 5,826,441	\$ 2,400,892	\$ (422,275)

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Note 9. Defined Benefit Pension Plan (Continued):

J. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, the Library recognized pension expense of \$358,623. At June 30, 2025, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 410,043	\$ 15,769
Change in assumptions		
Net difference between projected and actual earnings on pension plan investments	657,793	1,310,391
Employer contribution subsequent to the measurement date	_____	_____
Total	<u>\$ 1,067,836</u>	<u>\$ 1,326,160</u>

There were no deferred outflows of resources related to pensions resulting from the Library's contributions subsequent to the measurement date to be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Fiscal Year Ending	
June 30, 2026	\$ (371,530)
June 30, 2027	\$ 347,870
June 30, 2028	\$ (96,691)
June 30, 2029	\$ (137,973)

K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at www.varetire.org/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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Note 10. Other Post-Employment Benefits (OPEB)

**Group Life Insurance Program:
Virginia Retirement System**

A. Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

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Note 10. Other Post-Employment Benefits (OPEB) (Continued):

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the Plan. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. • <i>Natural Death Benefit:</i> The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <i>Accidental Death Benefit:</i> The accidental death benefit is double the natural death benefit. • <i>Other Benefit Provisions:</i> In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: ○ Accidental dismemberment benefit ○ Seatbelt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,532 as of June 30, 2025.

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Note 10. Other Post-Employment Benefits (OPEB) (Continued):***B. Contributions***

The contribution requirements for the Group Life Insurance Program are governed by Section 51.1-506 and Section 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% ($1.18\% \times 60\%$) and the employer component was 0.47% ($1.18\% \times 40\%$). Employers may elect to pay all or part of the employee contribution; however, the employee must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2025, was .47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$68,973 and \$72,682 for the years ended June 30, 2025, and June 30, 2024, respectively.

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2025, the participating employer reported a liability of \$235,683 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024, and the total GLI OPEB Liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employer's proportion was .02112% as compared to .02208% at June 30, 2023.

For the reporting date June 30, 2025, the participating employer recognized GLI OPEB expense of \$2,801. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

For the June 30, 2025 reporting date, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

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Note 10. Other Post-Employment Benefits (OPEB) (Continued):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37,173	\$ 5,757
Net difference between projected and actual earnings on GLI OPEB program investments		19,866
Change in assumptions	1,343	11,680
Changes in proportion share	6,604	25,441
Employer contribution subsequent to the measurement date		
Total	<u>\$ 45,120</u>	<u>\$ 62,744</u>

There were no deferred outflows of resources related to the GLI OPEB. Deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Fiscal Year Ending	
June 30, 2026	\$ (15,088)
June 30, 2027	\$ (1,475)
June 30, 2028	\$ (1,679)
June 30, 2029	\$ (1,305)
June 30, 2030	\$ 1,923

D. Actuarial Assumptions

The total GLI OPEB Liability was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Inflation	2.50%
Salary increases, including inflation –	
Locality – General employees	3.50% - 5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation

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Note 10. Other Post-Employment Benefits (OPEB) (Continued):

Mortality Rates – Non-Largest 10 Locality Employers – General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally;
males set forward two years; 105% of rates for females set forward three years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally;
95% of rates for males set forward two years; 95% of rates for females set forward
one year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates
for males set forward three years; 110% of rates for females set forward two years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of
the MP-2020 rates.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020.

Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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Note 10. Other Post-Employment Benefits (OPEB) (Continued):

E. Net GLI OPEB Liability

The net OPEB Liability (NOL) for the Group Life Insurance Program represents the program's total OPEB Liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 4,196,055
Plan Fiduciary Net Position	<u>3,080,133</u>
GLI Net OPEB Liability (Asset)	\$ <u>1,115,922</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	73.41%

The total GLI OPEB Liability is calculated by the VRS System's actuary, and each plan's fiduciary net position is reported in the VRS System's financial statements. The net GLI OPEB Liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS System's notes to the financial statements and required supplementary information.

F. Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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Note 10. Other Post-Employment Benefits (OPEB) (Continued):

Asset Class	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP – Private Investment Partnerships	1.00%	8.00%	.08%
Diversifying Strategies	6.00%	5.80%	.35%
Cash	2.00%	3.00%	.06%
Leverage	<u>(3.00%)</u>	3.50%	<u>(.11%)</u>
Total	100.00%		7.07%
	Expected arithmetic nominal return*		<u>7.07%</u>

*The above allocation provides a one-year expected return of 7.07 percent (includes 2.50 percent inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the VRS System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14 percent, including expected inflation of 2.50 percent.

On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75 percent, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.10 percent, including expected inflation of 2.50 percent.

G. Discount Rate

The discount rate used to measure the total GLI OPEB Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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Note 10. Other Post-Employment Benefits (OPEB) (Continued):

H. Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB Liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Proportionate share of the Group Life Insurance Plan Net OPEB Liability	366,517	235,683	129,986

I. Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2024 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at www.varetire.org/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Virginia Local Disability Program:

A. Plan Description

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the *Code of Virginia*, as amended, to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

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Note 10. Other Post-Employment Benefits (OPEB) (Continued):

Eligible Employees

The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014, to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits.

Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:

- Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.

Benefit Amounts

The Political Subdivision Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:

Short-Term Disability:

- The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.
- During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

Long-Term Disability:

- The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Virginia Local Disability Program Notes:

- Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

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Note 10. Other Post-Employment Benefits (OPEB) (Continued):

B. Contributions

The contribution requirement for active hybrid plan employees is governed by Section 51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2025, was .74% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Library to the VRS Political Subdivision Employee Virginia Local Disability Program were \$21,215 and \$21,414 for the years ended June 30, 2025, and June 30, 2024, respectively.

C. Virginia Local Disability Program OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2025, the Library reported a liability of \$(11,751) excess for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2024, and the total VRS Political Subdivision Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The Library's proportion of the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was based on the Library's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the Library's proportion of the VRS Political Subdivision employee Virginia Local Disability Program was .32573% as compared to .38990% at June 30, 2023.

For the year ended June 30, 2025, the Library recognized VRS Political Subdivision Employee Virginia Local Disability Program OPEB expense of \$16,109. Since there was a change in proportionate share between measurement dates, a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2025, the Library reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB from the following sources:

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Note 10. Other Post-Employment Benefits (OPEB) (Continued):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,396	\$ 2,476
Net difference between projected and actual earnings on Political Subdivision VLDP OPEB program investments		1,063
Change in assumptions		273
Changes in proportion	949	309
Employer contribution subsequent to the measurement date	\$ _____	\$ _____
Total	\$ <u>2,345</u>	\$ <u>4,121</u>

There were no deferred outflows of resources related to the VLDP OPEB. Deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

Fiscal Year Ending	
June 30, 2026	\$ (940)
June 30, 2027	\$ 31
June 30, 2028	\$ (204)
June 30, 2029	\$ (448)
June 30, 2030	\$ (215)

D. Actuarial Assumptions

The total VLDP OPEB liability was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Inflation	2.50%
Salary increases, including inflation – Political Subdivision Employees	3.50% - 5.35%
Investment rate of return	6.75%, including inflation

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Note 10. Other Post-Employment Benefits (OPEB) (Continued):

Mortality Rates – Non-Largest 10 Locality Employers – General and Non-Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally;
males set forward two years; 105% of rates for females set forward three years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally;
95% of rates for males set forward two years; 95% of rates for females set forward
one year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates
for males set forward three years; 110% of rates for females set forward two years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of
the MP-2020 rates.

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2022. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through nine years of service.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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Note 10. Other Post-Employment Benefits (OPEB) (Continued):

E. Net Political Subdivision Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision Employee Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2024, NOL amounts for the VRS Political Subdivision Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

	<u>Political Subdivision Employee VLDP OPEB Plan</u>
Total Political Subdivision Employee VLDP OPEB Liability	\$ 12,230
Plan Fiduciary Net Position	<u>15,837</u>
Political Subdivision Employee VLDP Net OPEB Liability (Asset)	\$ <u>(3,607)</u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision Employee VLDP OPEB Liability	129.49%

The total Political Subdivision Employee VLDP OPEB liability is calculated by the VRS System's actuary, and the plan's fiduciary net position is reported in the VRS System's financial statements. The net Political Subdivision Employee VLDP OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS System's notes to the financial statements and required supplementary information.

F. Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS system investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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Note 10. Other Post-Employment Benefits (OPEB) (Continued):

Asset Class	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP – Private Investment Partnership	1.00%	8.00%	.08%
Diversifying Strategies	6.00%	5.80%	.35%
Cash	2.00%	3.00%	.06%
Leverage	<u>(3.00)%</u>	(3.50)%	<u>(.11)%</u>
Total	100.00%		7.07%
Expected arithmetic nominal return*			<u>7.07%</u>

*The above allocation provides a one-year return of 7.07 percent (includes 2.50 percent inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the VRS System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50 percent.

On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75 percent, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14 percent, including expected inflation of 2.50 percent.

G. Discount Rate

The discount rate used to measure the total VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024, the rate contributed by the political subdivision for the Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2024, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VLDP OPEB liability.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 10. Other Post-Employment Benefits (OPEB) (Continued):

H. Sensitivity of the Political Subdivision's Proportionate Share of the Political Subdivision Employee VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1.00% Increase <u>(7.75%)</u>
Covered employers proportionate share of the VRS Political Subdivision Employee VLDP OPEB Plan Net OPEB Liability (Excess)	\$ (8,545)	\$ (11,751)	\$ (14,572)

I. Political Subdivision Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability Program's Fiduciary Net Position is available in the separately issued VRS 2024 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at www.varetire.org/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 11. Other Post-Employment Health Benefit

The Library has a post-employment health benefit for all full-time employees. The Library makes monthly contributions equal to one percent of each full-time employee's salary to the Plan administrator, Nationwide Retirement Solutions, Inc. After retirement from the Library or death of the employee, the employee or dependents has the right to be reimbursed for qualifying medical care expenses or health care premiums to the extent of contributions and investment income in the employee's account. There is no additional liability to the Library for this benefit.

In FY25, the Library funded post-employment health benefits for 91 eligible full-time employees in the amount of \$53,959. This benefit was discontinued during FY25.

Note 12. Deferred Compensation Plan

The Library offers their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation in the Plan is optional to qualified employees. The Plan allows employees to pay into a retirement program with pre-tax dollars. The Library provides a match of 50 percent of the qualified employee's contribution up to \$30 per pay period which totaled \$41,989 for FY25. The Plan is administered by a third-party provider. The Library is not responsible for investment administration or risk. All amounts, including investment earnings, vest with participating employees.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENTS

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Note 13. Long-Term Obligations

The Library's non-current obligations as reported on the statement of net position as of June 30, 2025 are as follows:

Compensated absences	\$ 894,437
Net pension liability	2,400,892
Net OPEB liability	223,932
Right-to-use lease liabilities	2,458,613
Subscription liabilities	<u>647,433</u>
Total	\$ <u>6,625,307</u>
Amount of liabilities estimated due within one year:	\$ <u>1,037,337</u>

Note 14. Net Position Government-wide Statements

The Statement of Net Position reflects the following components of net position as of June 30, 2025:

Net investment in capital assets and leases:	
Capital assets, net of accumulated depreciation	\$ 3,146,697
Right-to-use leased assets, net	2,236,561
Less right-to-use lease liabilities	<u>(2,458,613)</u>
	\$ 2,924,645
Restricted net position	153,959
Unrestricted net position (deficit)	<u>(1,716,664)</u>
Total	\$ <u>1,361,940</u>

The government-wide Statement of Activities reports the net position as follows:

Net position, beginning of fiscal year – as restated	\$ 1,921,551
Net change in subscription base asset and liabilities	2,555
Net change in right-to-use lease assets and liabilities	(34,480)
Net change in pension liability	409,074
Net change in OPEB liability	34,603
Net change in capital assets	(185,889)
Net change in compensated absences	19,578
Net change in deferred inflows/outflows	(770,656)
Net change in governmental funds balance (deficit)	<u>(34,396)</u>
Net position, end of fiscal year	\$ <u>1,361,940</u>

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO FINANCIAL STATEMENTS

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Note 15. Grants and Donations

The Library receives grants and accepts public donations as made available. Grant revenue is reported and used in accordance with grant provisions.

Public donations are recognized as revenue when received and expended for the Library's operations based upon donor requests, if any. Public donations not fully expended can be classified as either restricted, committed or assigned.

Note 16. Significant Accounting Standards

Statement 103, *Financial Reporting Model Improvements*, is effective for years beginning after June 15, 2025. This standard improves key components of the financial reporting model to enhance providing information that is essential for decision making and accountability.

Statement 104, *Disclosure of Certain Capital Assets*, is effective for years beginning after June 15, 2025. This standard requires certain types of assets such as lease assets, subscription assets, intangible right-to-use assets, and other intangible assets to be disclosed separately in the capital asset note disclosures by major class of underlying assets. It also requires additional disclosures for capital assets held for sale.

The Library has not yet determined the effect these GASB Statements will have on its financial statements.

Note 17. Subsequent Events

FY25 Library Projects:

- Panic button installations and updated key-card systems at various branches
- Implementation of Bambu 3D printers at IdeaSpace
- Adult Library-on-the-Go vehicle staffed to serve Westmoreland County communities
- Elevator replacement at the Fredericksburg Branch

Library Operational Updates:

- Creation of the Technology and Equipment Fund with initial funding approved by the Board of Trustees totaling \$129,296. The funding was provided by assigning contributions being held for future projects.
- Director of Community Engagement hired to start employment January 2026.

The Library's management has evaluated subsequent events through January 26, 2026, the date which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND

June 30, 2025

Exhibit V

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES:			
Local governments	\$ 12,183,601	\$ 12,156,507	\$ (27,094)
Contributions and grants		176,240	176,240
Investment income		88,598	88,598
Other		60,201	60,201
State funds	<u>1,118,996</u>	<u>1,118,996</u>	
Total Revenues	\$ <u>13,302,597</u>	\$ <u>13,600,542</u>	\$ <u>297,945</u>
EXPENDITURES:			
Current:			
Personnel	\$ 10,827,359	\$ 10,917,812	\$ (90,453)
Professional and temporary services	65,000	65,578	(578)
System upkeep	66,400	103,479	(37,079)
Insurance	31,000	33,192	(2,192)
Publicity and programming	70,000	62,136	7,864
Training and education	25,000	33,928	(8,928)
Memberships and professional dues	10,000	10,485	(485)
Vehicle expenses	30,000	25,140	4,860
Equipment contracts	15,500	38,836	(23,336)
Supplies	150,000	200,787	(50,787)
Library service center	345,000	353,835	(8,835)
Miscellaneous	4,000	3,126	874
Computer services	585,000	651,801	(66,801)
Capital outlay:			
Collection	1,019,338	1,061,609	(42,271)
Furniture and equipment	<u>59,000</u>	<u>65,378</u>	<u>(6,378)</u>
Total Expenditures	\$ <u>13,302,597</u>	\$ <u>13,627,122</u>	\$ <u>(324,525)</u>
Excess (Deficiency) of Revenues Over Expenditures	\$	\$ (26,580)	\$ (26,580)
Fund Balance, beginning		<u>1,927,352</u>	
Fund Balance, ending		\$ <u>1,900,772</u>	

Capital outlay includes expenditures not capitalized and not reflected in the Statement of Net Position based upon the Library's capitalization policies.

See accompanying Report of Independent Auditor.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

For the Plan Years Ended June 30

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Schedule of changes in the Library's net pension liability and related ratios:										
Total pension liability:										
Service cost	\$ 386,166	\$ 388,859	\$ 388,086	\$ 382,859	\$ 403,628	\$ 377,289	\$ 408,316	\$ 432,098	\$ 431,283	\$ 468,716
Interest	1,747,498	1,672,737	1,624,608	1,447,205	1,358,046	1,289,975	1,255,634	1,239,414	1,187,687	1,101,717
Differences between expected and actual experience	412,806	304,955	(116,422)	741,373	623,935	342,619	(369,092)	(695,015)	(230,244)	237,828
Changes of assumptions				819,814		600,255		(66,422)		
Benefit payments, including refunds of employee contributions	(1,310,372)	(1,202,213)	(1,165,834)	(1,136,460)	(993,017)	(845,277)	(763,255)	(593,468)	(706,091)	(454,137)
Other										
Net change in total pension liability	\$ 1,236,098	\$ 1,164,338	\$ 730,438	\$ 2,254,791	\$ 1,392,592	\$ 1,764,861	\$ 531,603	\$ 316,607	\$ 682,635	\$ 1,354,124
Total pension liability – beginning	<u>26,157,873</u>	<u>24,993,335</u>	<u>24,263,097</u>	<u>22,008,306</u>	<u>20,615,714</u>	<u>18,850,853</u>	<u>18,319,250</u>	<u>18,002,643</u>	<u>17,320,008</u>	<u>15,965,884</u>
Total pension liability – ending (a)	<u>\$27,393,971</u>	<u>\$26,157,873</u>	<u>\$24,993,535</u>	<u>\$24,263,097</u>	<u>\$22,008,306</u>	<u>\$20,615,714</u>	<u>\$18,850,853</u>	<u>\$18,319,250</u>	<u>\$18,002,643</u>	<u>\$17,320,008</u>
Plan fiduciary net position:										
Contributions - employer	478,615	\$ 457,950	\$ 378,098	\$ 348,470	\$ 299,157	\$ 288,998	\$ 355,496	\$ 345,019	\$ 417,287	\$ 433,213
Contributions - employee	246,012	236,158	236,264	214,373	258,759	257,924	232,805	267,426	204,087	216,816
Net investment income	2,245,581	1,437,160	(20,652)	5,026,740	353,668	1,183,051	1,237,197	1,828,046	260,812	645,851
Benefit payments, including refunds of employee contributions	(1,310,372)	(1,202,213)	(1,165,834)	(1,136,460)	(993,017)	(845,277)	(763,255)	(593,468)	(706,091)	(454,137)
Administrative expense	(15,119)	(14,406)	(14,370)	(12,718)	(12,239)	(11,692)	(10,612)	(10,331)	(9,151)	(8,526)
Other	<u>455</u>	<u>578</u>	<u>527</u>	<u>472</u>	<u>(419)</u>	<u>(745)</u>	<u>(1,105)</u>	<u>(1,637)</u>	<u>(110)</u>	<u>(138)</u>
Net change in plan fiduciary net position	\$ 1,645,172	\$ 915,227	\$ (585,967)	\$ 4,440,877	\$ (94,091)	\$ 872,259	\$ 1,050,526	\$ 1,835,055	\$ 166,834	\$ 833,079

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

For the Plan Years Ended June 30

(Continued)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Plan fiduciary net position – beginning	<u>23,347,907</u>	<u>22,432,680</u>	<u>23,018,647</u>	<u>18,577,770</u>	<u>18,671,861</u>	<u>17,799,602</u>	<u>16,749,076</u>	<u>14,914,021</u>	<u>14,747,187</u>	<u>13,914,108</u>
Plan fiduciary net position – ending (b)	<u>\$24,993,079</u>	<u>\$23,347,907</u>	<u>\$22,432,680</u>	<u>\$23,018,647</u>	<u>\$18,577,770</u>	<u>\$18,671,861</u>	<u>\$17,799,602</u>	<u>\$16,749,076</u>	<u>\$14,914,021</u>	<u>\$14,747,187</u>
Library's net pension liability – ending (a)-(b)	<u>\$ 2,400,892</u>	<u>\$ 2,809,966</u>	<u>\$ 2,560,855</u>	<u>\$ 1,244,450</u>	<u>\$ 3,430,536</u>	<u>\$ 1,943,853</u>	<u>\$ 1,051,251</u>	<u>\$ 1,570,174</u>	<u>\$ 3,088,622</u>	<u>\$ 2,572,821</u>
Plan fiduciary net position as a percentage of the total pension liability (b) / (a)	91.23	89.26	89.75	94.87	84.41	90.57	94.42	91.42	82.84	85.14
Covered payroll (c)	\$ 5,424,110	\$ 5,200,438	\$ 5,002,053	\$ 4,783,498	\$ 4,660,667	\$ 4,544,159	\$ 4,394,373	\$ 4,237,399	\$ 4,036,095	\$ 4,174,809
Library's net pension liability as a percentage of covered payroll [(a)-(b)]/(c)	44.26	54.03	51.20	26.01	73.61	42.78	23.92	37.05	76.52	61.63

Net pension liabilities are reported using VRS measurement date.

See accompanying Report of Independent Auditor and notes to the required supplementary information.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

SCHEDULE OF PENSION CONTRIBUTIONS

For the Plan Years Ended June 30

	<u>Actuarially determined contribution</u>	<u>Contributions in relation to actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Employer's covered payroll</u>	<u>Contributions as a % of covered payroll</u>
2024	\$ 538,614	\$ 538,614		\$ 5,424,110	9.93
2023	\$ 516,404	\$ 516,404		\$ 5,200,438	9.93
2022	\$ 378,098	\$ 378,098		\$ 5,002,053	7.56
2021	\$ 348,470	\$ 348,470		\$ 4,783,498	7.28
2020	\$ 299,157	\$ 299,157		\$ 4,660,667	6.42
2019	\$ 288,998	\$ 288,998		\$ 4,544,159	6.36
2018	\$ 355,496	\$ 355,496		\$ 4,394,373	8.09
2017	\$ 345,019	\$ 345,019		\$ 4,237,399	8.14
2016	\$ 417,287	\$ 417,287		\$ 4,036,095	10.34
2015	\$ 433,213	\$ 433,213		\$ 4,174,809	10.38

Data reported using VRS measurement date.

See accompanying report of independent auditor and notes to the required supplementary information.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION - PENSION

For the Year Ended June 30, 2025

Changes of benefit terms: There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions: The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) – Non-Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through nine years of service.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
SCHEDULE OF LIBRARY'S SHARE OF NET OPEB LIABILITY

For the Plan Years Ended June 30

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
GLI Plan:								
Proportion of the net GLI OPEB liability	0.02112	0.02208	0.02300	0.02227	0.02381	0.02347	0.02293	0.02242
Proportionate share of net GLI OPEB liability	\$ 235,683	\$ 264,808	\$ 276,942	\$ 259,283	\$ 397,350	\$ 381,919	\$ 348,246	\$ 330,968
Employer's covered payroll	\$5,424,110	\$5,200,438	\$5,002,053	\$4,783,498	\$4,660,667	\$4,544,159	\$4,394,373	\$4,237,399
Employer's proportionate share of the net of the net GLI OPEB liability as a percentage of its covered payroll	4.35	5.09	5.54	5.42	8.52	8.40	7.92	7.81
Plan fiduciary net position as a percentage of the total GLI OPEB liability	73.41	69.30	67.21	67.45	52.64	52.00	51.22	48.86
VLDP Plan:								
Proportion of the Net VLDP OPEB liability	.32573	0.38990	0.47147	0.45621	0.44708	0.39457	0.3811	0.38007
Proportionate share of net VLDP OPEB liability (excess)	\$ (11,751)	\$ (6,273)	\$ (2,772)	\$ (4,618)	\$ 4,463	\$ 7,994	\$ 2,942	\$ 2,032
Employer's covered payroll	\$2,519,282	\$2,386,447	\$2,349,845	\$2,224,327	\$2,167,210	\$2,113,034	\$2,043,383	\$1,970,391
Employer's proportionate share of net VLDP OPEB liability as a percentage of its covered payroll	(.466)	(.263)	(.118)	(.208)	.206	.378	.144	.103
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	129.49	116.89	107.99	119.59	76.84	49.19	51.39	38.40

Data reported using VRS measurement date.

See accompanying report of independent auditor and notes to the required supplementary information.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

SCHEDULE OF OPEB CONTRIBUTIONS

For the Plan Years Ended June 30

<u>Year</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Employer's covered payroll</u>	<u>Contributions as a % of covered payroll</u>
GLI Plan:					
2024	\$ 29,290	\$ 29,290		\$ 5,424,110	.54
VLDP Plan:					
2024	\$ 21,414	\$ 21,414		\$ 2,519,282	.85
GLI Plan:					
2023	\$ 28,082	\$ 28,082		\$ 5,200,438	.54
VLDP Plan:					
2023	\$ 20,285	\$ 20,285		\$ 2,386,447	.85
GLI Plan:					
2022	\$ 27,011	\$ 27,011		\$ 5,002,053	.54
VLDP Plan:					
2022	\$ 18,333	\$ 18,333		\$ 2,349,845	.78
GLI Plan:					
2021	\$ 24,831	\$ 24,831		\$ 4,783,498	.52
VLDP Plan:					
2021	\$ 15,211	\$ 15,211		\$ 2,224,327	.68
GLI Plan:					
2020	\$ 25,480	\$ 25,480		\$ 4,660,667	.55
VLDP Plan:					
2020	\$ 11,995	\$ 11,995		\$ 2,167,210	.55
GLI Plan:					
2019	\$ 23,920	\$ 23,920		\$ 4,544,159	.53
VLDP Plan:					
2019	\$ 8,779	\$ 8,779		\$ 2,113,034	.42
GLI Plan:					
2018	\$ 21,171	\$ 21,171		\$ 4,394,373	.48
VLDP Plan:					
2018	\$ 5,552	\$ 5,552		\$ 2,043,383	.27
GLI Plan:					
2017	\$ 19,611	\$ 19,611		\$ 4,237,399	.46
VLDP Plan:					
2017	\$ 2,021	\$ 2,021		\$ 1,970,391	.11

Data reported using VRS measurement date.

See accompanying report of independent auditor and notes to the required supplementary information.

CENTRAL RAPPAHANNOCK REGIONAL LIBRARY
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION - OPEB
For the Year Ended June 30, 2025

Changes of benefit terms: There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions: The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follow:

Non-Largest 10 Locality Employers – General Employers

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through nine years of service.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

COMPLIANCE SECTION

**REPORT ON INTERNAL CONTROL AND COMPLIANCE
UNDER GOVERNMENTAL AUDITING STANDARDS**

Robert T. Bishop, CPA
Elaine F. Farmer, CPA

Harry B. F. Franklin, Jr., CPA
Harry D. Dickinson, Ph.D., CPA



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American Institute of
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of the Board of Trustees
Central Rappahannock Regional Library
Fredericksburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Central Rappahannock Regional Library, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Central Rappahannock Regional Library's basic financial statements, and have issued our report thereon dated January 26, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Central Rappahannock Regional Library's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Central Rappahannock Regional Library's internal control. Accordingly, we do not express an opinion of the effectiveness of the Central Rappahannock Regional Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

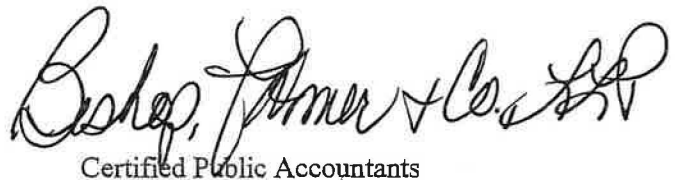
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that we have not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Central Rappahannock Regional Library's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

Fredericksburg, Virginia
January 26, 2026